

Turnaround Strategies in Management of Power Distribution Companies of Karnataka

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Abstract

As with the transformation of the world from basic necessity to the luxury and comfortable life, the requirement for the development is ever-changing. The basic infrastructural input required for advanced economic development is electricity. Hypothetically, in this domain of the electricity industry, which was functioning as a precipitously assimilated natural control concerning enormous charges. It was conventionally be taken care of by the government all over the world. Turnaround strategies are one such factor where the great incorporated state controls were efficiently supplying electricity. It has given rise to a better structured established and supervisory vicissitudes in the power sector. Moderately, Karnataka also commenced power sector turnaround strategies, by the facility of private sector participation in 1991. With the refinement of the Karnataka Electricity Board (KEB) in 1999, and another development in the Electricity Act, 2003, which aimed to escalate competition and productivity in the subdivision respectively. Conversely, in the present situation concerning issues of high energy and uttermost discrepancy, problems related to a different process. The rudimentary level where accurate entry to virtuous value power that is often subsidization, cross-subsidization, commercial losses. These drawbacks which are responsible for the deficiency of satisfactory decent feature power will lead to the severe effects for the forthcoming progress of Karnataka. In the present study, it helps to scrutinise the result of the turnaround strategies of the transformations on the electricity consumption that are speculated in the complete presentation of Karnataka power sector.

Keywords: Power, Turnaround, strategies, utilities, economic, technology, sector, companies, planning, electricity, saving, financial and management.

Introduction

An insight into the turnaround strategies in a critical view of the power sector organizations in Karnataka. It states that in view with the turnaround strategies in Karnataka has revealed that the development in this sector that have the approaches and structures at central and state level, which they failed and did not basically focus on the necessary complications which were addressing the deficiency of entire electricity right of entry. It is important to focus that

eradicating power discrepancy and financial turnaround of efficacies that look through the ambiguities in the scheduling and putting into practice procedure of the strategies and arrangements. This ultimately proceeds to substantial accomplishment under these objectives. "Village electrification" is one of the thoughtful concerns which has precisely measured the transmission and distribution (T&D) loss and irrigation pump sets (IPS) consumption. Both of these two schemes basically focused on the deficiency of records on significant variables like a private investment. It is noted that the core reason for the measurement issue is well-thought-out to be the de-metering of the IPS in the years the 1970s. This demanded and have started to run into societal and politically awareness goals respectively. The scheme such as Niranthara Jyothi Yojana (NJY), can be considered to be one such scheme that focused on the matter of lowly reliability and value of power supply in rural areas which on the other hand had achieved the meagre and inadequate quality.

The process of financial planning is associated with categorising an establishment's savings and invest in requirements. In this process, it is important to understand that financial management is of boundless concentration, considering the reason to be yet to develop. One of the reasons is it that there are still specific zones where arguments or controversies be existent that in no undisputed resolutions have been extended as yet.

With the development of the firm which is directly affected by the policies of the financial creditworthiness of the firm. Raising the funds serve a function in capitalising the resources and dispensing revenues received from the belongings to owners are corresponding. This process is known as funding, investment and dividend decisions.

The relationship between electricity and finance is very strong. Generally, electricity plays an important role in every hustle and tussle of life, nothing can function without electricity. Commonly, in the cooperate world, finance management is one crucial aspect wherein power sector plays a very fundamental part in this new world of globalisation. Hence management of finance and power sector play an important role in the economies of the world. The financial element is one such crucial element that strongly focused on activities related to the economical aspect of decision management. The distribution of power utilities across the concern areas is the primary concern associated with the distribution of electricity. The Power utilities are associated with a quantity of public and private society's associated with it. In the main, many companies are flourishing intensely with the Power Utility sector. Consequently, off late, it is noticed that the contribution of the companies performed in this subdivision has not been up to the values as it was estimated.

It is important to note that Investment decisions or for the matter capital budgeting are always associated with the choice of distribution of investment or obligation of capitals in which it is obvious that the longstanding possessions, which would harvest welfares in the upcoming future. Notably one can say that the finance purpose plays an imperative role, which is the severely attentive function that brings its happenings that are precise to the commercial features of organisation judgements. "It is the task of those involved within the finance function to plan, raise and use funds in an efficient manner to achieve corporate operational and financial objectives."(Pike, 1993)

At this juncture, it is important to note that in the financial planning procedure to recognise the company's savings and supporting requirements. Financial management is an important element in the power distribution because it gives a huge concern with the development. There are many certain areas where arguments happening in such a place where there is no

united resolutions have been reached as yet in the power sector. Considering the progression and expansion of the firm which is pleasingly inclined by the financial strategies and financial affluence of the firm. It is crucial to highlight that for a fruitful economic management system is essential to have a proper management system which will serve right, the correct focus on necessities, accurate possessions, correct merchandise, veracious expertise and the right group members. Change is the only permanent thing in the world that the world remains the same everywhere. If there is no proper planning or thinking, it would be impossible to regulate the procedure of alteration and distribute anticipated outcomes.

In this competitive and economical world, public sector organisations have to update and also transform approaches, in association with commercial procedures for nurturing capitals and progress profitable coordination in the direction of choice creation.

Literature Review

The arrangement and trend in which electricity consumption is categorised, one can say that agricultural electricity consumption is the maximum, followed by the 'Industry HV'. It is difficult to identify that exact consumption of electricity in the agriculture field, according to the IPS consumption. The appropriate reason for this is a meagre value power supply and the low-payment of IPS usage. This has led to problems such as which has cross-subsidization and support burden on state finances.

In Karnataka, the per capita electricity consumption (PCEC) has increased tremendously. There is a huge opportunity for the development in the state if it fulfils the adequate and good quality power. According to the Granger causality test that highlighted is no causality between electricity consumption and economic development in Karnataka for the age 1980 – 2015 at the collective level. There is no difference at the disaggregate level for agriculture and industrial sectors. The possible issue might be for the reason such as inconsistent and insufficient power supply, over the assessment of IPS consumption due to lack of meters. And the valid reason is the growing practice of captive power generation by industries. According to the above-mentioned points, further, analyse of power consumption during the period 2019-20 in Karnataka is the usage of the Holt-Winters exponential levelling (no seasonal) technique, to be about 69347G Wh.

After the upgradation of economic, during the early 90s that took place in India, there were not many studies in this area in connection with commercial supporting and investing in the infrastructure in the power sector. There are various research study has taken place but not an intense or a full-scale reading. Presenting the interrelated literature in the power sector with a focus on Turnaround strategies. It is noticed that the connection between financing and investment decisions is very important not only in India but also all over the world with power projects. There are various studies that carried out at both levels, such as state and national levels. These studies basically focused on the area of feasibility and fortune of the power sector.

The Indian Electricity Act in 1910 was the one of the primary regulations concerning Indian power sector. It recommended the approaches, measures and settings for contribution of electric licenses, to control the arrangements of individual private happenings. Furthermore, contradictorily it not focus on a co-ordinated power expansion in India (Venkataraman, 1972).

Initiating with Merton Miller H and Franco Modigliani (1966), it is obvious to highlight on the matter that is “Some Estimate of the cost of capital to the electric utility industry” which

can be considered for the sake that endeavoured to progress operational procedures for gathering the cost of capital. This relevant capital has a prime savings pronouncements from which this statistics on the basis of market assessment of safekeeping and obtainable roughly authentic evaluations of the charge of investment for an illustration of enormous electric utilities for the year 1954-1957. According to their understanding of the prime normative proposition referring to the micro theory of capital that took it as the rate of interest of the market.

It was noticed during the year 1960s that the significance of irrigation and electric/ diesel pump sets became greater than before in line for to the Green Revolution. This obligatory was with the criteria with noteworthy escalations in water and fertiliser inputs. Considering irrigation as a instrument for political objectives as it accomplishes food safekeeping while accumulative the farmers' revenues (Dubash and Ranjan, 2001).

Looking from the perspectives of Reinier Lock (1995) one can say that he endeavours to determine the significant associations between the conception of the liberated economic supervisor and the calculation of evolving nation electric power sectors. It is important to understand the significant reason that is functionally associated with the developed countries where controlling systems are connected with a sequence of useful strategies or ideologies, which possibly will be accommodating. This organised plan with proper proposal and application of monitoring managements help for power and other organisation manufacturing in developing countries. It is one of the important factors that sponsoring in private power development in developing countries. Taking into consideration the World Bank's innovative private segment that assures a guarantee programme which concentrated on given that securities. It assures to the privileged in contradiction of procedures of nation threat which cannot effortlessly be dispensed within the normal commercial instruments such as PPAs (power purchase agreement).

The Electricity Laws (Amendment) Act of 1991 is the earliest main power sector modification was the Electricity under the private sector. It involves actively in inaugurating, functioning, and upholding producing plants and obtain long term power acquisition settlements with the SEBs. It has been noted that the licenses were specified to native and overseas corporations to function for 30 years with 20 year restorations. In order to make interest the private companies to capitalise in a faltering sector, there were plentiful inducements were presented. One of the most tempting offer was most distinguished one being a least of 16 percent reoccurrence on fair play for power plants functioning at least 6000 hours a year respectively (Dubash and Ranjan, 2001). Approximately more less than Rs 4 billion were relieved projects of asset by the Ministry of Power attaining from compulsory techno-economic authorisations from CEA, to speed up the consent process. With this procedure the import responsibility for power projects and tools for equipment was abridged to 20 percent, and a 5-year tax holiday was given to private power projects.

According to the Central government which correspondingly delivered a mandate for Coal India Limited to supply washed coal to non-pit fast track private power projects, which ultimately safeguard that the coal accessibility with subordinate ash content. It was noticed that the private sector was too assisted which made the mega projects with more than 1000 MW, which can supply to multiple states (Rao et.al., 1998). However, the Independent Power Producers (IPP) was one such process in the year 1991 was essential to supplement the insufficient public savings. Consequently the decision was seen as a quick one, which

approved to numerous expressions in act of kindness of the private sector, most important to severe suggestions for the sector growth in forthcoming.

Another point to be referred from the understanding of Gary Bond and Laurence Carter (1995) who have brought insight about an outline of the latest tendency in the direction of private proprietorship as well as financing element that is very crucial for both, public and private assistance in accommodating the huge funding encounters. Referring to the private sector which has evidenced that the accomplishment is much superior in relations with building expenses and periods, procedure and consumer services. Financial limitations on governments and peripheral support interventions have headed to an accumulative comprehension in which private economics is essential to address dimensions deficiencies.

In a study, “New Directions in electric power financing” made by Karl Jechoutek G and Ranji Lamech (1995) referring to independent power project was focused. It is observed that the extensive horizon of electric power financing in the category of open markets, the role of the utilisation of national investment is appropriate for the holding strange base of financing sector, which is an essential part in this field. One can notice that the sustained and durable demand for electricity growth in the developing countries has been increased by 6-7 percentage yearly. This information has highlighted the concealed or open incompetence of expanding and operating the power system. They are caught by conventional frameworks and procedures in which they are evolving. It is an important factor associated with any level whether it is related to generation, dissemination, or end-use, the appropriate outcome comes in financing market only through approaching the electricity values for all the different ranks deliver sufficient inducement for providers to produce. Prominently enough, the enormous greater part of power sector savings is one of the measures that are added to the investment that will fuel the revenue progression in progressing nations which will be joined together from the domestic foundations over and done with the accurate devices.

Another important study was done by Jansen J. C, Lako P (1995) who conveyed their understanding about the examination of substitutes for the thermal power plant at Mangalore. According to their analysis, there are four alternatives. They have scrutinised the study of large coal transport framework. In this, they discovered the virtues of added coal-fired power plants for India’s southwestern states of Karnataka (Mangalore Power Company at Nandikur) and Kerala (Kayamkulam). Referring to the assessments amongst power supply substitutes that are measured in terms of load centre thermal power plants established on domestic plants at Talcher with high voltage direct current transmission and load centre LNG based power plants. They have briefed the different elements associated with institutional matters, project sponsoring and project phasing. Kerala and Karnataka are two such states which reliant on power deliveries from baseload thermal and nuclear power plants in other states. LNG is one element in which electricity generation is established which cost more than usual the well-thought-out coal grounded alternatives. One of the solutions that can be implemented is the envisioned thermal power station schemes at Mangalore can be considered as a sensible resolution to evidently crucial energy requirements.

Referring to Joy Dunkerley (1995) readings, it is highlighted that numerous nations are following power sectors to private deal with the process of privatization or IPPs that is meant for previous subjugated by the public sector. It is noted that the yearly progression in power consumption in the emerging countries of 6.6 per cent significantly inferior to the 8.1 per cent practised between 1971 and 1992. One can say that the power sector is one of the reasons for

the basis of air pollution. It is worth mentioning that the power sector functions at very low altitudes of technical competence which is practised in developing countries. Having proper planning that is considered good in association with capital investment. It is important to note that this accomplishment will be achieved through the restoration and presentation enhancement of current dimensions. There are approximately 30 per cent difference regular thermal competences to that of several developing countries in comparison to the conveniences in industrialised nations.

Conclusion

Referring to the above reviews of literature, one can say that several investigations have been studied in this power sector study. Highlight features in which investment is prepared in such capacities that will deliver the greatest coming back on the deal. One particular specific all-inclusive in this domain of power generating companies cannot be identified in India or Karnataka for that matter respectively. On the journey of scrutiny for the purpose of numerous readings and investigation accounts divulges a mutual concern with the Power Utility model in India and that is Financial Sustainability. The Indian government has work additional gained to refine approximately progresses in the power section consequently not with the Five-year plans.

Point to be noted, during the year 1970, Karnataka attained surplus power utilities. Successively, as with the development of intense industrialization and urbanization that are taken to be a consideration. Nevertheless, there is a stable evolution which demanded more electricity energy as per the requirement. Stressing on the point that it has not balanced the asset in the power generation projects or connected dimensions with each other. Therefore, it is difficult to identify the financial element associated with the power distribution sector.

Many research studies have been done to explore the reason but the fact remains mysterious. For the purpose of this search, this study has been undertaken. With this understanding about the Karnataka Power Corporation Limited, the run-through of corporate financial management has been one of the largest state-level Public sector power Generation Company in Karnataka by having its Corporate office in Bangalore and the power generating units in all over Karnataka.

Subsequently with a clear comprehending the pre-established literature, one of the contributing factors is the significance of technology with the development and progression for power utility business model. There are various means to improve consumer gratification and resources by which power purchase cost can be lowered are not delivered in the above-mentioned literature. It is noticed that the process of Privatization and deregulation which do not emphasis on the top occupational model for sustenance. One of the dominating factors in which manpower competencies in association with the Technology improvement can be held in order to improve the system of the power utility.

There should be uniformity of the technology need for training which was not highlighted in the literature review. The limitation is the scanty approach towards the literature that required established Employee assignation inventiveness. Approaches for provisions in this competitive setting were not concentrated. There is no substantial comparison to alter across the world. Only a bit of information provided that is implemented all over India. It is important to mention where India population is growing at a very fast rate it is mandatory to redesign donated, connecting the breaks found in the literature with a new study.

One of the prominent factors to be considered is the rapid break between Power purchase cost ARR and tariff Income which is ultimately leading to harms to the power utilities in order to develop its occupational sustainability. After gathering a close analysis of the factors to be considered for the improved version to frame stratagems to support power distribution Utility business is to be judgmentally scrutinised features accountable for this loss in this sector. Approaches to be taken into consideration to regain the loss in this competitive business environment.

A new approach towards the commitment towards quality for their customer eminence of routine and the possibility of risk should be taken into consideration would be the appropriate choice to be made. The role of government plays a crucial role in the correspondent with a huge quantity of subdivisions. They are unavoidable and the public sector that desires to endure in the opinion of the numerous societal purposes will have to carry on for gathering surrounded by the innovative authenticities. Consequently keeping in view of the above, the Karnataka State has to take care of environment protection.

Power sector Performance Index (PPI) is a manifestation has been intended for before and after the transformation times for 17 main Indian states, which is meant for the process to measure the complete power sector routine. The value of the Index for Karnataka had amplified considerably subsequent modification, inferring improved power sector performance in the post-reform period. The ranking also extremely increased from twelfth rank to second rank in the post improvement age, demonstrating huge upgrading qualified to other states.

Comparatively, the index is at top the virtual performance as associated to the other states was noted in terms of performance. On the other hand, there are other critical concerns such as low capability operation, power deficit, poor quality power, and subsidization. These issues need to be taken care with instant consideration. Approximately, there are various policy references have to be taken care.

One of the important component to be taken care is a prodigious necessity for redefine "village electrification" to arrest the attention of the accurate growth of widespread everyday electrification. One of the important measures is the NJY which works at the pilot level and should be applied entirely subsequently central valuation of the consequences of the pilot plans, to secure the exact determination of the pilot challenging.

There should be a constant future policies revision to implement ample impression in the areas of cross-subsidization, and progressively phase it out. Areas of improvement that are to be associated with high-tech upgradation, preservation of the prevailing plants, and modifying the faulty measurement. The other area of improvement or to be taken care is the assessing problems with cultivation electricity usage, that could be determined done by the protection from political intervention in decision making.

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